UNITED NATIONS

General Assembly

FORTY-NINTH SESSION

*Official Records*

FIFTH COMMITTEE
4th meeting
held on
Tuesday, 11 October 1994
at 10 a.m.
New York

SUMMARY RECORD OF THE 4th MEETING

Chairman: Mr. TEIRLINCK (Belgium)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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18 October 1994

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The meeting was called to order at 10.20 a.m.

AGENDA ITEM 112: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/49/11, A/49/400 and Add.1 and 2)

1. Mr. NOVRUZOV (Azerbaijan) said that, at its forty-seventh session, in 1992, the Committee on Contributions had recommended to the General Assembly that it should set Azerbaijan's contribution to the regular budget at 0.22 per cent. The calculation had been based on statistical data of the former Union of Soviet Socialist Republics and the official and unrealistic dollar-rouble exchange rate. The decision on the scale of assessments taken at the forty-seventh session of the General Assembly had clearly been unjust with regard to almost all the former Soviet republics, and doubly so with regard to Azerbaijan. In addition to the difficulties associated with the transition to a market economy, Azerbaijan had been a victim of external aggression resulting in the occupation of more than 20 per cent of its territory and 1 million refugees. Its capacity to pay had thus been significantly reduced and its rate of assessment in no way reflected its economic situation. That point had been made repeatedly: in letters from the Minister for Foreign Affairs to the Secretary-General, in official representations to the Committee on Contributions, and in statements made by his delegation in the General Assembly. The arguments of the former Soviet republics had been disregarded. The only encouraging point was the intention, stated in General Assembly resolution 48/223 B, that 50 per cent of the effect of the scheme of limits should be phased out. It was on that understanding that his delegation had supported the resolution in the Fifth Committee although it had been dissatisfied with much of its content.

2. The recommendations contained in the report of the Committee on Contributions on its forty-ninth session (A/49/11) were again disappointing. In particular, his delegation could not agree to the recommendation in paragraph 60 that there should be three separate scales of assessments, for 1995, 1996 and 1997, since it was inconsistent with the General Assembly recommendation concerning the phasing out of 50 per cent of the effects of the scheme of limits over a three-year period. It meant that Azerbaijan would have to pay, to the regular budget and to peace-keeping operations, almost $1 million more than it would have had to pay if the Committee had complied strictly with the General Assembly recommendations. If the General Assembly adopted the Committee's recommendations it would be contradicting its own decision, taken less than a year earlier.

3. Azerbaijan welcomed the fact that the Committee on Contributions had used a somewhat shorter statistical base period and uniform exchange rates. Moreover, in paragraph 19 of its report it referred to the possibility of the early introduction of a scale of assessments, incorporating the 50 per cent phase-out. That approach had the support of the 15 former Soviet republics, whose position had been set out in an informal paper circulated to members of the Fifth Committee. They were ready to engage in a constructive dialogue but wanted their position to be taken into account, at last.

4. The Government of Azerbaijan would continue fully to discharge its obligations as a Member of the United Nations, and its arrears of contributions

to the regular budget and to peace-keeping operations would gradually be paid off. It intended to make provision for such payment in the 1995 budget. But one should not ask the impossible. The Government had been compelled to use its limited foreign currency reserves to buy food, drugs and other essential items. Azerbaijan was grateful for the humanitarian aid provided by the specialized agencies, but pointed out that it was illogical to give with one hand and take back with the other. It did not seek special treatment but wanted the General Assembly to be consistent in implementing its own decisions.

5. Mr. HAMZAH (Iraq), referring to his country's record of cooperation and active participation in the United Nations, of which it was a founding Member, and in other international organizations and the assistance and substantial loans it had granted to developing countries, said that it was aware of the financial crisis which the United Nations was experiencing and had paid its contributions promptly in the past. However, the imposition of sanctions on his country under Security Council resolution 661 (1990), including the freezing of Iraqi assets abroad, coupled with the devastating consequences of the Gulf War, constituted a case of force majeure that rendered it impossible for Iraq to pay its financial contributions to the regular budget of the United Nations.

6. Iraq would nevertheless honour its financial commitments to the Organization. It had requested the Committee on Contributions to review the rate of assessment for Iraq, taking into account the country's compelling circumstances, and had further requested it to consult with the Secretary-General with a view to allowing Iraq to pay its contribution in local currency in respect of the financing of United Nations activities in Iraq. His country had therefore been surprised to note from the Committee's report that Iraq's contribution was to be increased from 0.13 per cent to 0.14 per cent for the years 1995, 1996 and 1997.

7. He wished to know the criterion on which the Committee on Contributions had based its recommendation for an increase in Iraq's contribution despite the prevailing difficult conditions in his country. Indeed, Iraq had expected an objective, neutral study of those conditions and, at the very least, agreement that part of its contribution could be paid in local currency, in the light of its hard-currency and cash-flow shortages, the fact that it had been deprived of export-import mechanisms and the economic hardship stemming from the sanctions.

8. His delegation felt that the rate of assessment recommended for Iraq was unrealistic and that the increase for the coming years was not warranted by the statistical data presented. It was therefore, regrettably, unable to agree to that increase and trusted that the Fifth Committee and the General Assembly would reject it and re-examine Iraq's rate for the duration of the unusual prevailing circumstances.

9. Mr. GJESDAL (Norway), speaking on behalf of the five Nordic countries, commended the Committee on Contributions on having translated General Assembly resolution 48/223 B into a workable recommendation for the scale of assessments for the contributions of Member States to the regular budget of the United Nations for the period 1995-1997, and in shedding light on the methodological problems it had encountered. The recommended scale was a step in the right direction in correcting long-standing distortions and more accurately reflecting

capacity to pay. Nevertheless, some countries, not least the countries in transition, were still over-assessed, while others were under-assessed, mainly because of the continuing influence of the scheme limits and the relatively long base period. In that connection, he noted that limiting the effects of the phase-out of the scheme of limits to 15 per cent for certain countries would lead to new distortions.

10. Regardless of their views on the scale methodology, the Nordic countries had always paid their assessed contributions in full, on time and without conditions, and would continue to do so. Payment was a treaty obligation. members of the Committee should remind themselves of the benefits their countries enjoyed as Member States, and their deliberations should be guided by a spirit of generosity and a sense of proportion.

11. The two main problems encountered by the Committee on Contributions concerned the determination of exchange rates and the number of steps involved in phasing out 50 per cent of the effects of the scheme of limits. The issue of exchange rates had been a complicating factor in determining rates of assessment for a number of new Member States, and had evolved into a general issue, occupying much of the time of the Committee on Contributions. The Nordic delegations noted the Committee's comment in paragraph 50 of its report (A/49/11) regarding the ambiguities concerning the multiple sources and types of exchange rate available and the significant effect of different exchange rates on the scale of assessments. They also took note of the statement by the Chairman of the Committee on Contributions that the Committee would address exchange-rate issues at its next session, and supported the request for a study of the criteria for converting national income data in preparation for the review of the scale methodology at the fiftieth session. In the meantime, the expert status of the Committee on Contributions should be respected and its recommendations followed.

12. The gradual approach to the phasing out of the scheme of limits meant that its distorting effects would be felt until the year 2000. On the grounds of fair burden-sharing and the financial soundness of the United Nations, the Nordic countries favoured the immediate abolition of the scheme of limits, even though they themselves would thereby receive more points at an earlier stage. They therefore supported a one-step phasing out of 50 per cent of the effects of the scheme of limits in 1995, rather than a three-step phase-out over the years 1995-1997.

13. The Nordic countries hoped that the current exercise would be the last time the General Assembly would be called upon to adopt a scale of assessments based on the present methodology. Further changes in the apportionment of the Organization's expenses should more accurately reflect capacity to pay as the basic principle of assessment. Fairer burden-sharing would, in turn, lead to a reduction in certain unreasonably high assessments and might change perceptions of the Organization and remove political obstacles to the payment of assessed contributions. It was important for the methodology to enjoy the confidence, or at least the acceptance, of all Member States.

14. Transparency was obviously the first prerequisite in judging the fairness of the scale. The present opaque methodology was so complicated that it was

difficult to judge what represented a fair scale. The modest reforms adopted at the forty-eighth session had served to add to the number of parameters and had led to some surprising results. The numerous criteria which currently determined capacity to pay and the distortions that had evolved over the years had led the Nordic countries to support a "clean-slate" approach, which should, however, include a relief mechanism for countries with below-average per capita incomes. As the scale was also used as a basis for assessments of contributions to peace-keeping operations, the budgets of which were now three times the size of the regular budget, it was more important than ever to ensure the fair application of the principle of capacity to pay.

15. Mr. SHARP (Australia), speaking on behalf also of Canada and New Zealand, noted that, pursuant to General Assembly resolution 48/223, the Committee on Contributions was recommending a three-step phase-out of the scheme of limits, an approach which was in conformity with rule 160 of the rules of procedure of the General Assembly. The main consideration was to start the phasing out in the 1995-1997 scale and complete it in the following scale. Failure to start phasing out the scheme would result in its collapse, since it would simply not be possible for redistributed points to be absorbed.

16. The phasing out of 50 per cent of the scheme of limits had reduced the rates of assessment of all the 22 countries which had previously belonged to the former Soviet Union, the former Yugoslavia and the former Czechoslovakia. When the effects of the scheme had been removed, their rates of assessment would better reflect capacity to pay.

17. The development of a transparent methodology reflecting genuine capacity to pay was long overdue. Of the elements in the current methodology, only national income was equitable. The current methodology for external debt meant, with a few exceptions, that debt relief was given only to developing countries, whereas it should be available to all Member States. Further, debt relief should be based on actual debt repayment rather than debt stocks. The so-called ad hoc adjustment to the machine scale had no place in the methodology and forced the Committee on Contributions to engage in horse-trading unfitted to a technical advisory body.

18. The element which most distorted the scale was, however, the low per capita income allowance formula, as result of which the contributions of some Member States had fallen to derisory levels. The capacity to pay principle was further distorted by the existence of the ceiling and the floor. The issue of exchange rates used in expressing national income in United States dollars must also be addressed and he supported the request by the Committee on Contributions for a study of exchange rates.

19. None of the distorting elements he had mentioned should be dealt with in isolation. What was needed was a review of the underlying principles set out in the General Assembly resolution of 1946, which provided the terms of reference of the Committee on Contributions.

20. Mr. MABILANGAN (Philippines) said that General Assembly resolution 48/223 B had endorsed the principle of capacity to pay as the fundamental criterion for determining the scale of assessments. A country's capacity to pay was affected

by external debt and per capita income, and those factors should therefore be taken into account. Relief should continue to be provided to developing countries with low per capita income, coupled with a heavy debt burden. In addition, a longer base period would provide an element of greater stability.

21. With regard to the phasing out of 50 per cent of the effects of the scheme of limits, his delegation supported the use of the country-by-country approach. He concurred with the comments of the Committee on Contributions regarding the difficulties arising from multiple sources of exchange rate and welcomed the request for a comprehensive study on the matter. Lastly, his delegation supported the recommendation of the Committee on Contributions regarding the scale of assessments for the period 1995-1997 contained in paragraph 60 of its report.

22. Mr. WISNUMURTI (Indonesia) said that the recommendation of the Committee on Contributions regarding a new scale of assessments was a reasonable one, and took into account the essential criteria set out in General Assembly resolution 48/223. The decision to spread the 50 per cent phase-out of the scheme of limits over three years represented a reasonable compromise, fully in accordance with rule 160 of the rules of procedure. Moreover, the recommended scale fairly reflected the capacity to pay of Member States. The Fifth Committee should have no difficulty in recommending approval of the new scale by the General Assembly.

23. In a review of the methodology for the scale, capacity to pay must be maintained as the fundamental criterion and in that regard the use of national income provided a sound basis. Fluctuations in national income should, moreover, be duly reflected in the scale. In that connection, market exchange rates should continue to be used for conversion, notwithstanding the difficulties that arose in comparing national incomes, particularly in the case of countries with non-convertible currencies. Consideration might also be given to the use of price adjusted rates of exchange, where necessary. His delegation saw no merit in applying the concept of purchasing power parity.

24. While national income provided a sound basis for determining capacity to pay, per capita income and external debt must also be taken into account. Debt servicing was a major drain on resources and resulted in crippling net negative transfers, the impact of which was aggravated by fluctuating exchange rates, rising interest rates and high inflation rates. Special attention should be given to those countries which, despite an adverse external financial situation, had continued to meet their obligations in a timely manner. The low per capita income allowance formula should also be retained.

25. Efforts to improve the methodology should be introduced on a gradual basis, and his delegation could not accept the "clean slate" approach. It supported the proposed establishment of an ad hoc body, pursuant to General Assembly resolution 48/223 C. The mandate and modalities of such a body must, however, be carefully defined and its membership must be as broadly based as possible, taking full account of the principle of equitable geographical distribution.

26. Mr. AGAM (Malaysia), echoing the concerns recently expressed by the Under-Secretary-General for Administration and Management regarding the precarious financial situation of the United Nations, said that, while his delegation

recognized the economic difficulties faced by some Member States in trying to reduce their arrears, it did not believe that such difficulties should be invoked in making demands on the United Nations. Malaysia had consistently paid its assessed contributions to the regular budget and to peace-keeping budgets on time, and felt that the payment of such contributions in full and on time was critical to the Organization's efficient functioning.

27. Commenting on the scale of assessments based on the principle of capacity to pay, he said that some thought should be given to ensuring the reliability of the current methodology, which was based on per capita national income together with other national-income-based criteria. Some elements of the national income data compiled by the Statistical Division might be outdated or based on weak underlying statistics; figures for recent years might be simply extrapolations or "guesstimates". The use of exchange rates to convert national income data to United States dollars could also, given the volatility of exchange rates and the fact that in most cases they did not reflect the purchasing power of the currencies in question, result in distortions, which could negate the effect of applying a multi-year statistical base.

28. With regard to the overall financial difficulties of the United Nations, he said that an analysis of the revenue side of the budget must be accompanied by an analysis of expenditures, and that a more transparent form of auditing - preferably external auditing - was equally important.

29. Referring to the recommendations of the Committee on Contributions regarding the scale of assessments for the period 1995-1997, based on the capacity to pay of Member States, he said that one of the elements of capacity to pay, namely the scheme of limits, required further consideration. The recommendation for a three-step approach to the 50 per cent phase-out of the effects of the scheme of limits over the period 1995 to 1997 was in compliance with General Assembly resolution 48/223. Such an approach was a reasonable compromise that would avoid excessive changes in assessment rates.

30. In conclusion, he expressed his delegation's support for the Committee's recommendations on the scale of assessments for the regular budget for the years 1995-1997 and welcomed General Assembly resolution 48/223 C, in which the Committee on Contributions was requested to undertake a thorough and comprehensive review of all aspects of the scale methodology and to report thereon to the General Assembly at its fiftieth session.

AGENDA ITEM 120: FINANCING OF THE UNITED NATIONS OBSERVER MISSION IN EL SALVADOR (continued) (A/C.5/49/L.3)

31. The CHAIRMAN drew the Committee's attention to the draft decision contained in document A/C.5/49/L.3, entitled "Financing of the United Nations Observer Mission in El Salvador", in particular to paragraph (c) thereof, which reflected a decision taken during informal consultations to the effect that the Secretary-General's performance report for the period from 1 December 1993 to 31 May 1994 should be considered first by the Advisory Committee on Administrative and

Budgetary Questions and should then be submitted to the Fifth Committee for consideration together with the Advisory Committee's comments.

32. Draft decision A/C.5/49/L.3 was adopted.

33. Mr. STITT (United Kingdom), supported by Mr. SHARP (Australia), noted that the decision was of an interim nature, imposed on the Committee by the fluidity of the situation and the lack of adequate documentation. In agreeing to it, his delegation was in no way accepting the current practice of authorizing expenditure by the Secretary-General without a fresh assessment. His delegation was extremely concerned that the deadline of 10 November should be met and that the Committee should be in a position to recommend a substantive solution for the financing of the Mission by the end of November.

The meeting rose at 11.30 a.m.

UNITED NATIONS

General Assembly

FORTY-NINTH SESSION

*Official Records*

FIFTH COMMITTEE
5th meeting
held on
Thursday, 13 October 1994
at 10 a.m.
New York

SUMMARY RECORD OF THE 5th MEETING

Chairman: Ms. PEÑA (Mexico)
(Vice-Chairman)

later: Mr. TEIRLINCK (Belgium)
(Chairman)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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AGENDA ITEM 112: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued)

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24 October 1994

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In the absence of Mr. Teirlinck (Belgium), Ms. Peña (Mexico), Vice-Chairman, took the chair.

The meeting was called to order at 10.20 a.m.

AGENDA ITEM 112: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/49/11)

1. Mr. OWADA (Japan) thanked the Chairman and members of the Committee on Contributions for the work they had accomplished at that Committee's fifty-fourth session and, in particular, for the recommendation contained in the report (A/49/11) concerning the scale of assessments for the years 1995, 1996 and 1997.

2. The financial soundness and viability of the United Nations depended on the full payment of the assessments levied on Member States; his delegation had therefore noted with great concern the statement made by the Secretary-General in the plenary Assembly the previous day to the effect that, by the end of August 1994, only 56 Member States had paid their contributions to the regular budget in full, while 70 Member States had made no payments. Moreover, by the end of September 1994, there were still 62 Member States which had made no payment. That state of affairs demanded urgent attention. His own country had been making every effort to discharge its financial obligations and, as a result of a recent payment, was up to date with its contributions, as of the end of September, both to the regular budget and to peace-keeping operations.

3. The new scale of assessments for the period 1995-1997 recommended by the Committee on Contributions was in accordance with the criteria set forth in General Assembly resolution 48/223 B, which had been adopted by consensus after long and difficult negotiations. The Committee's conclusion that the 50 per cent phase-out of the effects of the scheme of limits should be spread over three years fairly reflected the compromise that had formed the basis of the resolution, and his Government was prepared to accept the Committee's recommendation, despite the fact that it would mean in increase of 3.2 percentage points in Japan's share of the total assessed contributions. His Government hoped that the Fifth Committee would adopt the recommendation by consensus and, in order to assist in the attainment of that goal, had offered 10 points for the purpose of ad hoc adjustments (mitigation) to be distributed among 10 developing countries.

4. In resolution 48/223, which had been adopted because of the concern felt by an increasing number of countries about the need to devise an equitable and fair methodology for the scale of assessments, the General Assembly had decided, in principle, to establish an ad hoc body to study the implementation of the principle of capacity to pay. His delegation hoped, and expected, that the Committee on Contributions would successfully complete its review of the methodology and that the ad hoc body would be able to begin its work in the near future.

5. His delegation also noted with interest the concern expressed by the Committee on Contributions in its report (para. 50) about the complexities and ambiguities concerning the multiple sources and types of exchange rate and, in particular, the increasing effect of money speculation on market exchange rates. It was encouraging that the Committee intended to address the exchange-rate issue with a view to establishing well-defined criteria for converting national income data to United States dollars.

6. While all Member States felt the need to ensure that their contributions were used wisely and efficiently, they had a collective responsibility to ensure the financial soundness of the Organization. In that context, it was important to devise a formula for the scale of assessments that satisfied the criteria of fairness, equity, simplicity, consistency and stability, and his delegation was ready to cooperate with those of other Member States to achieve that end. It looked forward to constructive deliberations on the scale of assessments and hoped that the Fifth Committee would be able to reach a conclusion by consensus.

7. Mr. MÜNCH (Germany), speaking on behalf of the European Union and Austria, said that they regarded the scale of assessments for the apportionment of the expenses of the United Nations as one of the most important items on the agenda of the Fifth Committee, particularly in the light of the fact that any change in the scale of assessment for contributions to the regular budget of the United Nations would also have an impact on the contributions of States to other international organizations.

8. The collective contributions of the countries of the European Union and Austria currently amounted to 30.97 per cent of the budget and would increase to 33.56 per cent if the recommendations of the Committee on Contributions were accepted by the General Assembly. In that context, he recalled that, had it not been for the full, prompt and unconditional payment by those countries of their assessed contributions, the cash-flow difficulties of the Organization would have been considerably greater. The fulfilment of their financial obligations was one of the ways in which they demonstrated their commitment to the United Nations.

9. In December 1993, the States members of the European Union and Austria had joined the consensus on resolution 48/223 which provided, inter alia, for a comprehensive review of the scale methodology. Within the limits set by that resolution, the Committee on Contributions had performed its task well; the countries of the European Union and Austria considered that the recommendation of the Committee, through the partial phasing out of the scheme of limits and the limited shortening of the base period, marked a step forward towards the implementation of the principle of capacity to pay and met some of the concerns expressed by the countries of Eastern Europe.

10. The proposed new scale, however, was only a first step and much remained to be done in order to devise a more transparent and simplified scale which would better reflect each Member State's real capacity to pay, and thus complete the process of addressing all the elements in the current methodology which, over the years, had failed to reflect that principle in an entirely satisfactory manner.

11. The European Union and Austria very much regretted the continued recourse to mitigation, which was contrary to the spirit of resolution 45/256 A and should not be part of negotiations on a scale of assessments applicable to sovereign States. The current debate was not, however, the appropriate occasion for a full discussion of the deficiencies of the current scale, since resolution 48/223 C provided for a comprehensive review of all aspects of the methodology by the Committee on Contributions and by the General Assembly at its fiftieth session.

12. In conclusion, he said that the countries of the European Union and Austria were prepared to accept in full the recommendation of the Committee on Contributions regarding the scale of assessments (A/49/11, para. 60), including the progressive phase-out of 50 per cent of the effects of the scheme of limits over a three-year period.

13. Mr. BAHADUR (Pakistan) said that the volume of unpaid assessed contributions to the United Nations was a matter of grave concern to all Member States but that the chief problem lay not in the scale of assessments but rather in the failure of Member States to meet their financial obligations.

14. The relative capacity of developing countries to contribute to the United Nations had declined since the previous readjustment of the scale of assessments and the gap between the poorest and the richest nations had widened. It followed that the burden of a new readjustment of the scale should fall on those countries that could best afford to pay. Capacity to pay, in accordance with the rules of procedure of the General Assembly, must remain the paramount consideration. His delegation felt that it would not be advisable, through the application of a new and radically different formula, to distort the actual capacity of Member States to pay. Although much had been said about the anomalies in the current scale methodology and its application, it must be recognized that the methodology had remained in effect for a great many years and that the introduction of a new approach might undermine the consensus that had been maintained in that area.

15. On the subject of the proposed ad hoc body referred to in General Assembly resolution 223 C, his delegation wished to point out that the Committee on Contributions had already been mandated to advise the General Assembly on the apportionment of the expenses of the United Nations according to capacity to pay and that the proposed new body was likely to duplicate the work of that Committee and cause a further drain on the resources of the United Nations.

16. His delegation had taken careful note of the important statement made by the Secretary-General to the General Assembly the previous day and shared his concern with regard to the alarming financial situation of the Organization. His country would be actively involved in any discussions as to how to improve the situation with a view to placing the finances of the United Nations on a strong and permanent foundation.

17. The growing responsibilities of the Organization had placed an increasing burden on its comparatively meagre human and financial resources. It was

important, in discussing the problems currently being faced, to take into account the political mandate of the Organization, together with the need for effective funding based on realistic considerations. Any attempt to find solutions based on short-term expediency that would further weaken emerging democracies or the struggling economies of the developing countries would be detrimental to their long-term interests and would be contrary to the spirit of the United Nations.

18. Mr. SYCHOU (Belarus) said that the future of the United Nations would depend on the pragmatism and wisdom with which the General Assembly approached the question of the scale of assessments for contributions to the regular budget, one of the most complex issues currently facing the Organization. In the view of his delegation, the key to avoiding further difficulties in the functioning of the United Nations as a result of the growing financial crisis was an improvement in the scale of assessments and greater responsibility on the part of Member States in fulfilling their financial obligations.

19. There was widespread dissatisfaction among Member States with the current system for the apportionment of expenses, and he expressed his appreciation to the members of the Committee on Contributions for the work they had done in formulating their proposals for the scale methodology for the three-year period 1995-1997, on the basis of General Assembly resolution 48/223.

20. However, the progress that had been achieved was only a first step. In order to resolve the major problems of funding the activities of the United Nations, it was essential to ensure that the contributions of Member States were based above all on their capacity to pay, to avoid any politicization of the scale of assessments and to remove from the scale any element which tended to distort its mathematical logic. That was by no means easy to achieve. During the discussions that had taken place, his delegation, in a spirit of compromise, had accepted a number of the points that had been incorporated into the proposed scale; a consensus could only be achieved if all States were willing to relinquish some of their interests in order to solve a global problem.

21. Belarus, however, continued to regard General Assembly decision 47/456, whereby its contribution was increased almost one and a half times to 0.48 per cent, as extremely unjust.

22. At the same time, his delegation found it very hard to understand the position of those States that wished to maintain the very long base period, given that even the proposed seven- or eight-year base period did not make it possible to evaluate objectively the real capacity of Member States to pay. His delegation was also concerned about the problems connected with the elimination of the distorting effects of the scheme of limits. In that context, it considered that the Committee on Contributions had not fully carried out its mandate under resolution 48/223. For example, the requirement clearly expressed in section B, paragraph 3, of that resolution that the specific circumstances of Belarus and Ukraine should be taken into account had not been met. It should also be noted that the rate of assessment for Belarus which had been unjustly determined in 1992 following the collapse of the former Soviet Union had been

taken as the starting point for the calculations of its proposed rate of assessment for the period 1995-1997. His delegation continued to insist that the rate for Belarus established by resolution 46/221 was, from the legal and procedural point of view, the only correct one.

23. On the subject of the proposed phase-out of the scheme of limits, he said that, in order to deal with the shortcomings of the scale of assessments, the 50 per cent phase-out of the effects of the scheme should be carried out in the first year of the new period. By using the gradual approach, the complete elimination of the effects of the scheme of limits would be delayed for six years, in other words it would not be completed until the year 2000.

24. Despite the very difficult economic situation of Belarus, the Government was endeavouring to meet its financial obligations to the Organization and had paid $2.7 million of its contribution to the regular budget. That had been achieved despite a catastrophic deterioration in his country's balance of payments, the negative balance of which had amounted to $300 million in the first quarter of 1994 alone. By the end of the current year, the country's external debt would amount to $2 billion, yet in the calculations of the new scale of assessments allowance had been made for a debt of only $183 million. In the circumstances, it was evident that Belarus could not meet the current level of its contributions to the United Nations budget; its assessment was an obstacle to its full participation in the activities of the United Nations and its specialized agencies. His delegation therefore hoped that the Fifth Committee, at its current session, would take account of the circumstances he had described and would find a way to bring the rate of assessment for Belarus into line with its real capacity to pay.

25. Mr. PANTIRU (Republic of Moldova) said that his country's difficulties in meeting its obligations to the United Nations were due to the complicated economic situation in which it found itself, and to the unjustifiably high rate of assessment recommended for it by the Committee on Contributions two years previously. While the Government was doing its utmost to meet its obligations, there was a general feeling in his country that the financial price for United Nations membership was too high. The increasingly political problem of the over-assessment of some Member States was a threat to his country's full-fledged status in the United Nations, and his Government attached great importance to the problem.

26. His delegation was one of fifteen which had recently circulated a joint position paper on the phasing-out of the scheme of limits for the period 1995-1997. In addition, it considered even the assessment rate proposed for 1997 as not fully reflecting its own current capacity to pay. The gradual three-step phase-out of the scheme of limits would only add to the difficulties of the States concerned, and it would not ease the financial difficulties of the United Nations as it would interfere with the ability of those States to fulfil their obligations with regard to the regular budget and the peace-keeping budgets.

27. His delegation fully supported the request of the Committee on Contributions for comprehensive data on exchange rates for all countries so that real figures for national income in United States dollars would be available the following year.

28. The complexity of the current methodology for determining the scale of assessments made it very difficult to explain to, or gain the support of, financial and legislative bodies outside the United Nations which were responsible for approving payments of contributions to the budget of the Organization. He hoped that the current year would be the last in which that methodology was used, and expressed his delegation's readiness to renew discussion of the "clean slate" approach.

29. Mr. BARAC (Romania) said that the consensus reached by the Committee on Contributions on the scale of assessments for the period 1995-1997 reflected the technical divisiveness of that issue. Furthermore, the current scale had had to be established in the context of the profound political and economic transformations that had taken place in the countries of Central and Eastern Europe and in the former Soviet Union and that had determined an entirely new approach to the calculation of their rates of assessment.

30. His delegation felt that a simple and clear scale methodology would be more accurate and more adaptable to current economic realities. It was his understanding that what was required was a more stable methodology, not a stable scale. The proposed 50 per cent phase-out of the scheme of limits during the three-year period 1995-1997 was an important step towards the elimination of the distorting effects of the current methodology. However, attempts to simplify the methodology had led to further difficulties for the Committee on Contributions. As an expert body, the Committee on Contributions should not be responsible for the political decisions taken by the Fifth Committee. In that connection, he reiterated his delegation's position that the economic difficulties of certain countries could only be resolved through political decisions of the General Assembly.

31. His delegation believed that a more pragmatic approach should be taken to the scale of assessments in order to reflect more accurately the true capacity of Member States to pay. Fairer burden-sharing would improve perceptions of the United Nations and remove political obstacles to the payment of assessed contributions.

32. Mr. Teirlinck (Belgium) took the Chair.

33. Mr. BIRENBAUM (United Sates of America) said that by 31 December 1994, his country would have paid more than $1.4 billion in assessed contributions to the regular budget and the budgets for peace-keeping operations, thereby improving the Organization's financial situation. The United States generally supported the recommendations of the Committee on Contributions, but still held the view that a three-year base period - rather than an eight or ten-year base period - would strike a better balance between economic reality and stability. It also supported the phasing out of the arbitrary scheme of limits and of such other

adjustments to national income as produced unnecessary distortions. The low per capita income allowance should be restricted to Member States with relatively small economies. His delegation supported the maintenance of ceiling and floor rates; a ceiling prevented the Organization from becoming overly dependent on one Member, while a floor gave each member a minimum financial stake in activities it might authorize.

34. Despite some improvements, the current scale methodology continued to reflect a significant departure from the values of simplicity, transparency and equity in burden-sharing. His delegation hoped that the comprehensive review to be carried out by the Committee on Contributions in 1995 would facilitate agreement on an improved methodology. In that regard, he stressed the need for a long-lasting solution to the issue of exchange rates, which strongly influenced the assessment rates of many Member States. It was hoped that the critical study of the subject which was to be prepared by the Secretariat would lead to a clear and equitable system for exchange rate conversions.

35. In conclusion, he urged the Committee to continue its efforts to achieve a scale which wold fairly allocate the burden of supporting the Organization and would be immediately understandable and self-adjusting to reflect changing economic realities.

The meeting rose at 11.20 a.m.

UNITED NATIONS

General Assembly

FORTY-NINTH SESSION

*Official Records*

FIFTH COMMITTEE
6th meeting
held on
Monday, 17 October 1994
at 3 p.m.
New York

# SUMMARY RECORD OF THE 6th MEETING

Chairman: Mr. TEIRLINCK (Belgium)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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AGENDA ITEM 112: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued)

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The meeting was called to order at 3.15 p.m.

AGENDA ITEM 112: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/49/11)

1. Mr.FLORENCIO (Brazil), speaking also on behalf of certain other States members of the Rio Group - Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela - said that the Committee on Contributions had discharged its mandate under General Assembly resolution 48/223 which was to present a technically sound and politically acceptable scale of assessments. The scale proposed for the period 1995-1997 (A/49/11, para.60), which reflected the wide-ranging transformations of the 1990s, accounted for the biggest transfer of points since the founding of the Organization. That was a notable achievement, given central role of the scale of assessments as the basic source of regular financing, the leading indicator for the rates of assessment for other organizations in the system, and the main element for the definition of the peace-keeping scale. Although the question was one of the most difficult before the Committee, it should be possible to achieve a consensus.

2. He welcomed the step-by-step approach for the phasing out of the scheme of limits as a realistic way of introducing the necessary adjustments in the scale. The concerns expressed by the States or groups of States which had submitted written representations appeared to have been met.

3. At the current session, the General Assembly was required to provide the Committee on Contributions with methodological guidelines to enable it to prepare studies for the next scale of assessments. Referring to the calls for transparency, he said that his delegation welcomed the increased efforts by the Committee to pursue a dialogue with Member States.

4. With regard to the possibility of making the scale simpler, he warned against the temptation to take a simplistic approach. Improvements in the methodology should be incremental, and should be avoided as far as possible. The collective experience of the Fifth Committee, the Committee on Contributions and the Preparatory Commission of the United Nations should be taken into account. Many years previously, the latter had indicated that the main consideration in determining the scale should be capacity to pay, calculated on the basis of national income modified by various factors to avoid anomalous assessments. It was thus clear that the founders of the Organization had viewed national income, taken in isolation, as insufficient. Two other relevant factors were the ability of a State to levy taxes and its ability to secure hard currency, factors which were reflected in the concepts of the low per capita income allowance formula and debt relief. Two further elements of the methodology, the ceiling and the floor, should also be the subject of discussion, bearing in mind the advice of the Preparatory Commission, which had cautioned against efforts unduly to minimize contributions or increase them for reasons of prestige. The acceptance of those elements, which were departures from a strictly technical scale, was justified on political grounds.

5. With respect to other elements of the methodology, he agreed that the national income concept remained the soundest. Continued use should be made of market exchange rates, rather than price-adjusted rates of exchange or purchasing power parity. Calls for frequent changes in the statistical base period should be resisted: the base period should remain long enough to provide for stability in the scale and thus promote a smooth phase-out of the scheme of limits.

6. On the question of establishment of an ad hoc group on the implementation of the principle of capacity to pay, he said that that group should confine itself to discussing the regular budget scale. Since the task to be entrusted to the group gave rise to political as well as technical considerations, it should be interdisciplinary and should reflect the widest possible range of views. It should therefore be an intergovernmental group with expert representation; its conclusions should be submitted to the Committee on Contributions; and it should be provided with regular funding, since voluntary financing might influence its deliberations.

7. Mr. YUSUF (Bangladesh) said that the scale of assessments was of fundamental importance, since it not only dealt with the apportionment of the expenses of the United Nations itself, but also served as a yardstick for the specialized agencies.

8. He hoped that the Fifth Committee would be able to endorse the proposed scale. It should be borne in mind, however, that the credibility of the scale depended primarily upon its universality, equitableness and transparency, as reflected in the application of the principle of capacity to pay. National income should remain the central element, but per capita income, external indebtedness and the availability of foreign exchange were also of crucial importance.

9. The process of financial reform was a difficult and painstaking one and inevitably led to a gradual approach. The "clean slate" approach was therefore not justifiable. He supported the establishment of an ad hoc group on capacity to pay, subject to agreement on its mandate and the modalities of its functioning.

10. Bangladesh endorsed the three-step phase-out of the scheme of limits, and preferred a country-by-country approach. While his delegation did not object to the current 10-year base period, it could accept a 7- or 8-year base period.

11. Noting the frustration which had been voiced in connection with exchange rates, he said that his delegation welcomed the statement that exchange rate issues would be addressed at the next session of the Committee on Contributions and maintained that market exchange rates should be retained for conversion purposes. Lastly, in view of the socio-economic circumstances of the least developed countries, it was imperative that the floor rate should remain applicable to them.

12. Mr. BLUKIS (Latvia), speaking also on behalf of Estonia and Lithuania, said that an equitable apportionment of the regular expenses of the Organization was a precondition for the improvement of its financial situation, which, in turn, was a precondition for the Organization's sound functioning and its ability to discharge its responsibilities under the Charter - the promotion of economic and social cooperation and the maintenance of international peace and security. An inequitable scale reduced confidence in the system, and no transient advantage, such as a lowered assessment rate, could offset that loss of confidence.

13. One inequity in the current scale was that between those States which paid their contributions in full and on time, or which were not fully reimbursed for peace-keeping services in a timely manner, and those which made partial, late payments. The increase in the number of the latter was due, in part, to the genuine inability of some over-assessed States to pay their full contributions when those contributions represented a large percentage of the budgets of their foreign ministries, a fact that was particularly true of the economies in transition.

14. An equitable scale depended upon the application of the same methodology to all Member States, with due regard for their fundamental positions. Capacity to pay required a methodology based exclusively on properly calculated and adjusted national income statistics.

15. For the first time, comparable data, in particular foreign exchange rates, had been used to calculate the rates of assessment for a number of States, thus, facilitating measurement of capacity to pay. The scale had also been improved by the 50 per cent phase-out of the effects of the scheme of limits. Even so, the rates recommended for many countries were still two to four times greater than their capacity-to-pay rates; for the Baltic States, the figure was between 2 and 3.5 times. Further, in the case of 15 Member States the recommended rates had been calculated using an ad hoc methodology based on the excessive rate of a former Member State.

16. While capacity-to-pay rates might not be achievable for all States in the next scale, the option of a full 50 per cent phase-out in 1995, which would in the case of the Baltic States decrease the largest distortion from 3.5 to 2.5 times the capacity-to-pay rate, was available. The Committee on Contributions had sought to balance the interests of weak economies with decreasing rates against those of developed countries with increasing rates. The latter group had an interest in protecting their less-than-capacity-to-pay rates, while the former had the practical problem of having to pay more than their capacity-to-pay rates. In such a situation, the one-step phase-out of the scheme of limits was simple and fair.

17. Mrs. CORADO (Guatemala) said that, while her delegation endorsed the views expressed by the representative of Brazil on behalf of some States members of the Rio Group, it reserved the right to seek a review of the rate recommended for Guatemala following the conclusion of a study of its economic situation. Updated information would then be made available to the Committee on Contributions.

18. Mr. SRAMEK (Czech Republic) said that General Assembly resolution 48/223 had marked the first real step towards improving the obsolete scale methodology. There was no doubt that the scheme of limits and the long statistical base period were the major causes of distortions in the current methodology, distortions which had a particular impact on economies in transition. A reduction in the base period from 10 to 7 or 8 years and a 50 per cent phase-out of the scheme of limits would move the Organization some way towards compliance with the principle of capacity to pay. In that regard, the recommendation for a multiple-step phase-out could not be justified, since the Organization should not tolerate discrepancies between established criteria and their implementation. The ensuing loss of credibility with regard to the scale would undermine efforts to establish a sound financial basis.

19. The scale would also be improved by the application of debt adjustment to all countries and a study of the criteria for converting national income data. Indeed, his delegation favoured more radical methodological changes such as a three-year statistical base period and the immediate elimination of the scheme of limits. Nevertheless, regardless of its views, the Czech Republic had continued to pay its financial obligations in full and on time and without conditions.

20. He welcomed the planned establishment of an ad hoc group on capacity to pay. He took it that membership of the body would be subject to General Assembly approval, and trusted that the group would reach conclusions speedily.

21. Mr. ABIOLA (Nigeria) said that the Committee on Contributions had taken into account the essential elements of its terms of reference as set out in General Assembly resolution 48/223 B, according to which the fundamental criterion in determining the scale of assessments was capacity to pay. In the view of his delegation, the use of national income was the main factor to be used in determining capacity to pay, but the external debt burden should also be taken into consideration.

22. Although its recommendations did not fully meet the expectations of all Member States, his delegation felt that the Committee was to be commended on the manner in which it had fulfilled its mandate. His delegation hoped that the Committee would address the problem of exchange rates in the context of the determination of the scale of assessments and that it would be able to devise well-defined criteria for converting national income data to United States dollars.

23. His delegation would work closely with other delegations to ensure that the valuable suggestions made to the General Assembly the previous week by the Secretary-General concerning ways of achieving a viable financial basis for the Organization were fully examined.

24. Mr. CHABALA (Zambia) said that his delegation concurred with the Committee's recommendation regarding a new scale of assessments for the period 1995-1997, which reflected a 50 per cent phase-out of the effects of the scheme of limits on a country-by-country basis spread over the three years of the

scale. It also supported the Committee's proposal that it should review the new scale in 1997 and it hoped that the Fifth Committee would endorse the Committee's recommendation contained in paragraph 60 of its report (A/49/11).

25. Although certain Member States still felt that their interests were not fully met by the new scale, his delegation was convinced that the position of those States which had made representations to the Committee on Contributions, including those which had previously belonged to the former Soviet Union, had been partially improved and that the assessments for those States would better reflect their capacity to pay when the effects of the scheme of limits had been completely phased out in the scale for the period 1998-2000, in accordance with paragraph 1 (f) of resolution 48/223 B.

26. The new scale represented progress in the implementation of the principle of capacity to pay and, although more remained to be done, in particular in the context of the comprehensive review of all aspects of the scale methodology scheduled to take place at the fiftieth session of the General Assembly, the immediate task of the Fifth Committee was to approve the scale recommended by the Committee on Contributions for the period 1995-1997.

27. His delegation was ready to participate in the work of the ad hoc body that was to be established to study the implementation of the principle of capacity to pay and felt that the ad hoc body should concentrate on improving the existing scale methodology so as better to reflect that fundamental principle.

28. Mr. PASHOVSKI (Bulgaria) considered that the recommendation of the Committee on Contributions in paragraph 60 of its report (A/49/11) would make a positive contribution towards correcting the long-standing scale distortions and more accurately reflecting the capacity to pay of Member States, although some countries, including those with economies in transition, were still considerably over-assessed, mainly as a result of the continuing influence of the scheme of limits and the relatively long base period.

29. His delegation wished to raise two issues with regard to the recommendations of the Committee, both of which not only concerned his own country but were also of more general relevance. The first related to the statistical data used by the Committee and, in particular, its decision to apply once again the exchange rates with premium for the years 1985-1989 which it had used in preparing the 1992-1994 scale. Since the data available for 1985-1990 were inherited from the time when his country had had a centrally planned economy, they did not accurately reflect the existing economic realities at that time, or the present-day realities, or his country's current capacity to pay. His delegation was, however, aware of the complexity of the exchange rate issue and welcomed the Committee's intention to address that matter with a view to establishing well-defined criteria for converting national income data to United States dollars.

30. His delegation's second point of concern was the three-step approach with regard to the phasing out of the scheme of limits over the period 1995-1997. His delegation associated itself with other delegations which were in favour of

the 50 per cent phase-out of the scheme of limits in one step in 1995, based on the Committee's calculations for 1997.

31. The time had come to ensure a fair application of the underlying principle of capacity to pay in determining the scale of assessments and his delegation associated itself with those speakers who had expressed themselves in favour of simplifying the scale methodology and making it more transparent. In a spirit of cooperation, his delegation was willing to consider any convincing proposal for improving the methodology and welcomed General Assembly resolution 48/223 C, in which the Committee on Contributions was requested to undertake a thorough and comprehensive review of all aspects of the scale methodology in order to achieve that end.

32. Ms. PAIK (Republic of Korea) said that her delegation particularly appreciated the efforts made by the Committee on Contributions to strike a balance between the interests of the various Member States through the adoption of a multiple-step approach to the 50 per cent phase-out of the effects of the scheme of limits.

33. Her delegation shared the Committee's frustration about the complexities and ambiguities concerning the multiple sources of exchange rates and supported the Committee's request that the Secretariat should prepare a comprehensive study on that subject for consideration at its next session.

34. It was important to ensure that the mandate of the ad hoc body that was to be established to study the implementation of the principle of capacity to pay complemented rather than duplicated the work of the Committee on Contributions. The composition of the ad hoc body should be based, in particular, on the principle of equitable geographical representation.

35. Her country shared the concerns expressed by the Secretary-General about the grave financial situation facing the United Nations and would make further comments on that matter at an appropriate time.

36. In conclusion, her delegation hoped that the Member States would reach a consensus on the adoption of the scale of assessments for the years 1995-1997 recommended by the Committee on Contributions.

37. Mr. DUBČEK (Slovakia) said that unfortunately the Fifth Committee all too often allowed its consideration of legal and economic issues to be dominated by political considerations, to the disadvantage of the weaker and smaller countries, including the developing countries and those, like his own, with economies in transition. The contributions of his own country, and of a number of others, were over twice as high as they would have been if the principle of capacity to pay, based on national income and the external debt burden, had been applied. His delegation was therefore unable to support the recommendation of the Committee on Contributions contained in paragraph 60 of its report (A/49/11); it pointed out, in that connection, that resolution 48/223 B had not provided for the effects of the scheme of limits to be phased out in three steps during one scale period. The distortions in the scale of assessment should be

eliminated as early as possible. That would not only be in the interests of his own country and of a large group of other Member States, but would also help to redress the current critical financial situation facing the United Nations.

38. Mr. MONAYAIR (Kuwait) said that the main criterion for determining the scale of assessments for the contributions of Member States was capacity to pay. The implementation of that principle had to take into account various circumstances, particularly those faced by developing countries.

39. The greatest challenge facing the Committee on Contributions had been to develop the current methodology so as to make it reflect more accurately the economic and political developments in Member States while, at the same time, simplifying it and making it more equitable and more transparent. The changes proposed by the Committee on Contributions to the methodology which had been used in calculating the proposed scale of assessments for the next three years were a positive step. His delegation was in favour of reducing the statistical base period from 10 to 7 or 8 years and was also in favour of the 50 per cent phase-out of the effects of the scheme of limits on a country-by-country basis over a three-year period. It was aware of the difficulties with which the Committee on Contributions had had to contend, in particular, in connection with the complexities of the exchange rate to which it had referred in paragraph 50 of its report (A/49/11), and it hoped that the Committee would continue to study that matter at its next session. The current methodology was the result of a great deal of study and his delegation considered that it would be preferable to introduce any necessary changes gradually rather than to devise an entirely new methodology.

40. His delegation supported the recommendation of the Committee on Contributions in paragraph 60 of its report and hoped that it would be adopted by consensus.

The meeting rose at 4.40 p.m.